

Message Text

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67

ACTION EB-11

INFO OCT-01 EUR-25 IO-15 ISO-00 GSA-02 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01

PRS-01 SPC-03 SS-15 USIA-15 ACDA-19 AID-20 COME-00

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 STR-08 CEA-02 INT-08 DRC-01 /214 W

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R 271725Z SEP 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5794

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS

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E.O. 11652: NA

TAGS: EIND ETRD

SUBJ: US SCRAP STEEL EXPORT CONTROLS, DISCUSSIONS WITH
THE COMMISSION

REF: (A) ALBRECHT/JOHNSTON TELECON OF SEPTEMBER 26;

(B) STATE 179346; (C) STATE 183681

1. SUMMARY. COMMISSION OFFICIALS DISCUSSED WITH THE
MISSION RECENT DEVELOPMENTS IN US SCRAP EXPORT CONTROLS.

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THEY WERE PLEASED TO LEARN OF THE COMMERCE DEPARTMENT

ANNOUNCEMENT THAT LICENSES WOULD BE ISSUED FOR OCTOBER, NOVEMBER AND DECEMBER SHIPMENTS BUT STRESSED THE POLITICAL PROBLEM IF ITALIAN MILLS ARE UNABLE TO BUY MORE US SCRAP. THEY WISH TO HOLD ANOTHER FORMAL CONSULTATION WITH THE US BUT ARE NOT YET CERTAIN ABOUT TIME AND PLACE. THE MEETING COVERED THREE PRINCIPAL POINTS: THE SITUATION IN 1973, THE SITUATION IN 1974 AND FUTURE CONSULTATIONS. END SUMMARY.

2. AT THE COMMISSION'S REQUEST, MISSION OFFICERS MET ON SEPTEMBER 26 WITH LESLIE FIELDING, COMMISSION DIRECTOR FOR NORTH AMERICAN AFFAIRS, JOHANNES PETRICK, DIRECTOR FOR STEEL IN DG-3, CURT HEIDENREICH OF THE COMMUNITY'S WASHINGTON OFFICE AND OTHERS TO DISCUSS THE STEEL SCRAP SITUATION. FIELDING DESCRIBED THE MEETING AS ONE OF ROUTINE CONTACT ON THE SCRAP SITUATION BUT NOT A CONSULTATION IN THE SENSE OF THE DEPARTMENT'S NOTE OF AUGUST 31 (REF B).

3. 1973 SITUATION. US OFFICERS INFORMED COMMISSION OFFICIALS OF THE LATEST US ESTIMATES ON JANUARY-AUGUST TRADE AS WELL AS SEPTEMBER - DECEMBER ORDERS (REF A). WE ALSO TOLD THEM THE DEPARTMENT OF COMMERCE WAS ANNOUNCING THE SAME DAY THAT THE US WOULD LICENSE PRE-JULY ORDERS FOR OCTOBER - DECEMBER DELIVERY.

FIELDING WELCOMED THE NEWS. HOWEVER, ITALIAN MILLS HAVE PLACED ORDERS SUBSEQUENT TO JULY 1 FOR ONE HUNDRED THIRTY-ONE THOUSAND TONS. WITHOUT THIS SCRAP, UP TO TWO MILLION TONS OF ITALIAN STEEL PRODUCTION COULD BE LOST. A SHORTAGE OF COMMUNITY SCRAP AND ESPECIALLY TRANSPORTATION PROBLEMS PREVENT ADDITIONAL SCRAP FROM BEING SENT FROM OTHER COMMUNITY STATES, NOR HAVE THE ITALIANS BEEN ABLE TO INCREASE APPRECIABLY THEIR CURRENT PURCHASES IN EASTERN EUROPE. THE BRITISH STEEL CORPORATION HAD ALSO HOPED TO PURCHASE ANOTHER FIFTY THOUSAND TONS IN THE US, THOUGH ITS SITUATION IS LESS GRAVE. FIELDING STRESSED THE POLITICAL PROBLEM IF ITALIAN NEEDS COULD NOT BE MET.

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4. 1974 SCRAP SITUATION. FIELDING PROMISED THAT THE COMMISSION WOULD FURNISH AS SOON AS POSSIBLE THE ESTIMATES ON THE COMMUNITY'S 1974 SCRAP REQUIREMENTS WHICH THE MISSION HAD PREVIOUSLY REQUESTED (REF C). FIELDING WELCOMED THE US EFFORT TO OBTAIN INFORMATION FROM ALL ITS CUSTOMERS, SINCE HE FELT THAT CONSULTATIONS WITH THEM WOULD BE HELPFUL BEFORE PREPARATION OF ANY US CONTROLS FOR CALENDAR YEAR 1974. CONSULTATIONS

COULD PROVIDE MEANS FOR AMICABLE RATIONING ARRANGEMENTS. THOUGH THE COMMISSION UNDERSTANDS THE US PRICE PROBLEM, IT FEELS THAT FOR PURELY FORTUITOUS REASONS THE CURRENT US METHOD OF RATIONING HAS DISCRIMINATED AGAINST THE COMMUNITY'S PATTERN OF ORDERS IN FAVOR OF THE JAPANESE. THE TREATMENT HAS BEEN INEQUITABLE IN PRACTICE IF NOT IN THEORY.

5. CONSULTATIONS. FIELDING TOOK NOTE OF THE STATE DEPARTMENT NOTE OF AUGUST 31 ACCEPTING THE COMMISSION'S CONSULTATION REQUEST. THE COMMISSION DOES BELIEVE THAT AN EARLY FORMAL CONSULTATION MIGHT BE DESIRABLE THOUGH IT HAS NOT DECIDED UPON A DATE. IT WOULD PREFER BRUSSELS, BUT DOES NOT FEEL STRONGLY ON THIS POINT. THE COMMUNITY IS ALSO SOMEWHAT LEARY ABOUT FORMAL CONSULTATIONS UNLESS THERE IS SOME PROSPECT OF MOVEMENT.

6. PRIVATE COMMENT. SUBSEQUENT TO THE FORMAL MEETING, FIELDING SPOKE PRIVATELY TO US OFFICERS AND STATED THAT THE COMMUNITY FEARED POLITICAL REPERCUSSIONS FROM THE US CONTROLS. HE WAS WORRIED LEST THIS MESSAGE AND THE SERIOUS ITALIAN CONCERNS HAD NOT GOTTEN THROUGH DURING THE JULY 26 DISCUSSIONS IN WASHINGTON. THOUGH THE COMMUNITY WOULD PREFER EARLY CONSULTATIONS, THEY FELT THAT IT WOULD BE BETTER TO AWAIT DEVELOPMENTS, IN ORDER THAT CONSULTATIONS MIGHT BE SEEN TO HAVE SOME RESULT. HARTMAN

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